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TRF FUNDING SHORTFALL

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Governor Frank O'Bannon and the Indiana General Assembly recently addressed a shortfall in appropriations to the Indiana State Teachers' Retirement Fund (TRF). Some members have questioned the fiscal integrity of the Fund. Therefore, TRF would like to provide an explanation of the facts surrounding this event. In 1995, the Indiana General Assembly established the *Pension Stabilization Fund (PSF)* to address TRF's unfunded liability. Under the law, expenditures from the fund may not be made until 2006. When the shortfall became known earlier this year, it first appeared that this fund had been compromised to cover pension benefits expenditures. However, Governor O'Bannon's review team subsequently found that the fund had not been touched.

The money deposited in the *PSF* is held and invested along with other funds of TRF. While all the funds are held in one account for investment purposes, every transaction is recorded against the appropriate fund and reconciled monthly. Accounting records from the period in question prove that no transfer ever occurred from the *PSF*.

The shortfall arose when payment of pension benefits in Fiscal Years 1996 and 1997 exceeded appropriations made to TRF. To make up for this shortfall, TRF used money from the employer portion of the undistributed investment income to cover the expenditures. This coverage is appropriate from an accounting perspective and, more significantly, is not prohibited under Indiana law.

To compensate for the shortfall, the 1999 Indiana General Assembly appropriated \$65 million to TRF in the recently adopted biennial budget. Further, the legislature specifically permitted augmentation authority should the actual payments exceed the projected figures at any point in the future. In the event that appropriations exceed actual payments of pension benefits, the excess money will be transferred to the *PSF*.

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Teachers' Retirement Fund Phone Numbers

You can find out
about the following at
our main number.....(317) 232-3860
Or at our New

Toll Free Number.....1-888-286-3544
Benefit Check Deduction, Benefit Check
Health Insurance Deductions, Counseling,
Death Reports, Direct Deposit,
Lost Checks, Service Credit and
Withdrawals.

Other Services:

Investments.....232-3868
School Reports.....232-3873
TDD/TTY.....233-3306
Director's Office.....232-3869
FAX Number.....232-3882

Visit our site on the World
Wide Web at.. <http://www.state.in.us/trf>

Indiana State Teachers' Retirement Fund

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Frank O'Bannon, Governor
Dr. William Christopher, Interim
Director
Board of Trustees
Owen B. Melton, Jr. President
James M. Bennett
Louise W. Elliott
Garrett L. Harbron
Matthew Murphy, III

**Attention: OUR COMPUTERS ARE READY FOR THE YEAR 2000.
CHECKS WILL CONTINUE TO ARRIVE ON TIME**

WHAT IS A PEBE AND WHY SHOULD I GET ONE

What is it? A **PEBE** is a **Personal Earnings and Benefits Estimate** that you can get from the Social Security Administration (SSA) simply by providing them with some basic information. There is no charge for the service. The report that is mailed to you includes a complete earnings and Social Security tax history and estimates of retirement, survivor and disability benefits.

Why Should I Get One*? A **PEBES** statement is a valuable retirement planning tool. It can be used to verify that your earnings have been accurately reported to the SSA. It also provides you with an estimate of the annual benefit that you will receive when you retire and the age at which you will be eligible for a full benefit. Many people are not aware of the fact that age 65 is no longer the automatic Social Security retirement age.

***Please note** that procurement of this estimate is required for a retiring member who wants to select the A4 Option (Social Security Integration).

What Information do I have to Submit in order To Receive this Report?

You must provide the following:

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Greening the Government

Governor Frank O'Bannon recently issued an executive order related to pollution prevention and air quality efforts within our state government. Effective July 1, 1999,

all state agencies are required to appoint recycling coordinators to implement the new policies and act as liaisons with the **State Government Recycling Program**. TRF's recycling Coordinator is Jeremy Gooch. Among other requirements, the order specifies that we make the most efficient use of paper products. All of us at the Teachers' Retirement Fund applaud the Governor's efforts to maintain the health of Indiana's environment.

You can help put the new policies into effect! We have been making every effort to put all of our forms and other documents on our web site. Members should receive a **Change of Address Form** with every **Quarterly Statement**. In addition, members who are eligible to alter their investment portfolio, should receive an **Asset Allocation Form**. If you have access to the Internet, please use our web site at: www.state.in.us/trf/ to

NEWLAND'S NOTES*

For my first column, I'd like to begin with some background information. In general, the Investment Department relies on three basic sources for its operation. The first source is the laws passed by the Indiana General Assembly. While some of these laws give us general guidelines, others are very specific as to what we may or may not do. The second source is our Board of Trustees. They help implement the aforementioned legal directives as well as aid and direct staff in general investment administration. Finally, there is our **Investment Policy Statement**, which is a tool to help us "...in effectively supervising, monitoring and evaluating the investment..." of our retirement plan assets. It is the Investment Department's daily job to administer and coordinate the directives of these various sources.

The Investment Department is composed of two people: The Chief Investment Officer and an Investment Analyst. Together, we supervise approximately 3,000 securities managed by 15 common stock managers and 8 fixed income (bond) managers, totaling about \$5 billion. To help us in these daily duties, we rely on two other organizations. The first is our investment custodian (or trustee). The custodian provides reports and record keeping services. The other organization is our investment consulting firm. This firm provides analytical, monitoring and educational capabilities to the department.

In the next issue of the **Primer**, I will take a look at our fund composition and asset allocation.

*EDITOR'S NOTE: Mr. Bob Newland is the Chief Investment Officer for TRF. Starting with this issue of the **Primer**, "Newland's Notes" will be appearing on a regular basis. The goal of the column is to provide members with ongoing and more detailed information about the ways in which TRF invests the funds that insure a secure retirement for Indiana's teachers.

TRF Forms

TRF has many forms available for the submission of specific information concerning your account. Using these forms allows us to provide better member service. The forms allow our data entry staff to process the request in a more efficient manner. Further, our new computer system will allow our staff to image the form with a scanner and

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The Number Thirteen: Still Lucky for TRF Members

The same house bill that provides for the **COLA**, also approved a 13th check for the year 1999 for each TRF member (or beneficiary or survivor of a TRF member) who retired on or before July 1, 1998. How much will you receive? That is determined by a formula and the calculation will appear on the stub of your 13th check, which will be mailed to you on November 1st, 1999. The years of service plus the number of years of the last retirement is equal to the points used in the formula. Those points are then multiplied by a dollar amount that is determined annually. Those of you who re-retired can count only the years of that most recent retirement.

OPPORTUNITIES FOR MEMBERS

Driver Education

Top Driver is a national company with a mission of revitalizing the driver education industry by developing the first fully integrated national driver education and training company. Their network of driver education and training centers service a broad spectrum of driving requirements, from novice, fleet, specialty vehicle trucking and handicapped to advanced skills, emergency service and performance driving.

They have already revolutionized the driver education industry by delivering standardized curriculum using touch-screen computer simulation, multi-media classroom instruction and one-on-one training in brand new vehicles. Top Driver has developed a partnership with MetLife Auto insurance and has received national endorsements from various organizations, such as Students Against Destructive Decisions (SADD), Recording Artists, Actors, and Athletes Against Drunk Driving (RADD), and Businesses Against Drunk Driving (BADD), in order to promote safer driving.

Top Driver is looking to expand its market by identifying key instructors to join their team. They are offering opportunities for licensed driver education teachers and teachers that have an interest in completing a licensing program. They offer part-time and full-time positions with full health benefits and a 401(k) plan to full-time employees. Anyone interested in learning more about Top Driver should visit their Web site at www.topdriver.com, or call about part-time and full-time instructor positions at 1-800-Driver Ed (374-8373).

Positions Available at TRF

Two intermittent positions are currently open at TRF. If you are a retired teacher and are interested in working part time, please contact Suzie Sellers at (317) 232-3876 or ssellers@trflan.state.in.us to receive a *State Employment Application* and additional information. Please reply by August 20, 1999.

A COLA IS ON THE WAY! Indiana House Bill 1986 provides for the following *Cost of Living Adjustments (COLA)*. They will be received effective with your August payment. It is important that you remember that the **COLA** only applies to the pension portion of your check. It is based on your defined benefit or disability. The calculation can be found on the stub of your August check.

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MEET OUR STAFF

Deputy Director: Vic Untalan

The Teachers' Retirement Fund has a wonderfully diverse, capable and interesting staff. A good case in point is our Deputy Director. Philippines native Victoriano Evangelista Untalan, Jr. (otherwise known as Vic) came to this country in 1974 with hope that his children would have every opportunity to get a good education and reach for their dreams. As he helped them move toward their goals, he has found great success within his own professional and personal life.

In 1964, Vic graduated from the University of the East (in Manila) with a Bachelor of Business Administration in Accounting and passed the Certified Public Accountant (CPA) exam. Later, in 1983, he passed the American version of this exam. Vic's capacity for service and leadership became apparent while at the University, where he served as an officer, both in his fraternity (Alpha Phi Omega) and in the Junior Assembly. Vic notes his role as a loan examiner with the Central Bank of the Republic of the Philippines as providing him with an early opportunity for professional growth. After moving to the United States, he continued to develop his leadership skills, by serving for two years as the President of the Barangay Club of Indiana, Inc., a Filipino-American organization.

In 1976, Vic started his career with the State of Indiana as an entry-level accountant for the Teachers' Retirement Fund. Through his hard work and dedication to the agency, he has risen through seven levels to his current position. In his capacity as Deputy Director, Vic supervises all three divisions of the organization. His efforts insure that daily operations will proceed smoothly and that the needs of the members of TRF will be met. He is currently focusing his attention on the new joint PERF/TRF computer project. It is interesting to note that Vic was the Project Manager in 1987, when the current computer system was created, so he brings special expertise to the new project.

Vic recently stated that his motto as a public servant is "Keep Improving Our Services to the Members of TRF". He takes this motto very seriously. In recent years, Vic has been important to TRF's success in implementing the vast amount of change generated by the 1996 General Referendum that allows the investment of public retirement funds in securities as well as bond funds. He is also responsible for the creation of our web site. Four different governors and three TRF directors have presided while Vic has been on the agency's staff. He takes pride in his ability to remain flexible and to adapt to different administrative styles.

Despite being an important part of the evolution of TRF, Vic proclaims that his greatest achievement has been providing his children with the opportunity to meet their goals through higher education. Vic's family is the most important part of his life. He and his wife, Carlota, were married in 1966, while still living in the Philippines. Carlota is also a state employee, working for the Indiana Department of Transportation (INDOT). They are the very proud parents of Marjorie, who is with the USA Group and Victoriano III, who is employed by the National Aeronautics and Space Administration (NASA).

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Remember the Military Service Credit Survey?

In October of 1998, TRF members received a survey regarding military service as an insert with their Primer. It was conducted on behalf of the Pension Management Oversight Committee, which is a legislative committee that investigates a variety of pension issues. After computation of the survey results, two main measures were proposed to the 1999 Indiana General Assembly concerning military service credit. Neither of these measures was enacted into law during this session. Regardless of the outcome, your assistance with the survey was appreciated! We will keep you up to date on any proposed military service credit measures during future legislative sessions.

1. **Post-retirement Pension Increases:** To cover these increases, most notably the *Cost of Living Adjustments (COLA)*, the General Assembly allocated \$84.3 million for FY 1999 and \$88.9 million for FY 2000.
2. **Pension Stabilization Fund:** In a continuing effort to curtail the unfunded liability, the General Assembly appropriated \$125 million for both FY 1999 and FY 2000.
3. **Pension Reserve Reimbursement:** The General Assembly provided for the reimbursement of \$65 million that was not funded, but needed to pay pension benefits in previous years. Due to the new augmentation language noted above, this problem will not occur in future years.

House Bill 1093: Public Pension Funds

1. **This portion of the bill effects the B Series Retirement Options.**

For those members who have selected the “Joint and Survivor” retirement options:

- If the designated *beneficiary dies before the member retires*, the selection is now automatically cancelled and the member may make a new beneficiary designation as well as modify the form of the benefits within the prescribed guidelines.
- If the designated *beneficiary dies while the member is receiving benefits*, the member can change the designated beneficiary and make other modifications within the prescribed guidelines.
- If a member, *who is receiving benefits, marries for the first time or after the death of that member’s spouse* and if the new spouse is not designated as the beneficiary, the member may elect to change the designated beneficiary and make other modification as allowed.

2. **This portion of the bill effects payment of**